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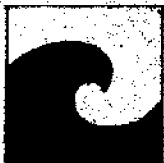
# **Financing Boating with Tax Dollars:**

**Trends and Alternatives in New York State**

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**New York Sea Grant Report Series**

FINANCING BOATING WITH TAX DOLLARS:  
TRENDS AND ALTERNATIVES IN NEW YORK STATE

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November 1979

NYSG-RS-80-14

This research was sponsored by the New York Sea Grant Institute  
under a grant from the Office of Sea Grant, National Oceanic  
and Atmospheric Administration (NOAA), US Department of Commerce.

## ACKNOWLEDGMENTS

A substantial amount of staff time was required to assemble data on state expenditures for boating-related projects. For their help in providing these data, the author is especially grateful to William L. Irwin, NYS Division of the Budget, to Peter D. Lynch, former Director of Fiscal Management, NYS Office of Parks and Recreation, and to numerous other staff in that Division.

Ron Stone, Government Relations Department of the Boating Industry Associations, was especially helpful in providing data and other information compiled by the boating industry. Roy Roberts of the NYS Office of Parks and Recreation provided current data on the number of boats registered in New York, and provided other helpful suggestions. Pat Festa, Department of Environmental Conservation, provided figures on boating-related programs of that agency. Finally, thanks to the US Coast Guard for providing names and addresses of boaters documenting recreational craft in New York, and to 317 owners of such craft for responding to a survey of fuel consumption.

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#### ABSTRACT

This study compares New York State's expenditures for boating programs with its revenues from boat fuel taxes and registration fees. From 1972 through 1977, state income from fuel taxes and registration fees exceeded state boating expenditures by an estimated average of \$3.4 million per year. Brown considers whether New York's state boating expenditures should equal its income from taxes and registration fees and summarizes the policies of other states. The appendix includes legislation from states that earmark fuel taxes and registration fees to boating programs.

## INTRODUCTION

Boating is among the more popular outdoor recreation activities in New York, and is economically important. As of December 1976, there were 338,464 motorized vessels registered by the NYS Division of Motor Vehicles. An additional 5,316 vessels documented by the US Coast Guard and an estimated 127,000 nonmotorized boats bring the state total to over 470,000 vessels (NYS Office of Parks and Recreation 1978). In recent years, the number of registered boats in New York has been about the same as the number of registered boats in Texas, immediately behind the leading states of California and Michigan.

### Existing Boating Facilities

Over 1,500 waterfront facilities serve New York's large and diversified boating public. About 1,000 of these are marinas, boatyards, or private yacht clubs, while the remainder includes gas docks, boat rentals, boat launching ramps, and repair yards. These facilities provide over 78,000 berths statewide (Noden and Brown 1975).

In 1973 New York's state-registered boat fleet had an estimated value of \$884 million. In the same year, state boaters spent approximately \$150 million in noncapital boating-related expenses (Noden and Brown 1977). New York's commercial marinas reported gross revenues of approximately \$94 million in 1972 (Noden and Brown 1977). The New York City area is the nation's largest market for outboard motors (derived from MAREX-NAEBM 1977).

In the past, state and local governments and private enterprise have not provided sufficient facilities to meet the demands of New York's boating public. The NYS Office of Parks and Recreation (1978) estimates a deficiency of 15,595 boating berths statewide and notes that many other berths need maintenance and repair. The population centers of New York City, western Long Island, Buffalo, Rochester, and Oswego are particularly deficient in boating facilities.

### Future Demand for Boating Facilities

Although the number of registered boats remained relatively constant from 1975 to 1977, studies project boating will increase considerably in the next 25 years--from 37.2 million to 47.7 million boating days (NYS Office of Parks and Recreation 1978). The demand for additional facilities is greatest in the New York City - western Long Island area, but developing Great Lakes fisheries have substantially increased the demand for upstate facilities. Since boaters have higher than average incomes and are willing to travel to go boating, higher energy prices are not expected to dramatically affect boating participation.

### The Need for a Study

This study was motivated by the unmet demands for increased recreational access and construction of boating facilities on the Great Lakes. Recreation development in the Great Lakes has three primary components:

- . increased stocking of salmonid fish species by the NYS Department of Environmental Conservation (DEC);
- . tourism development efforts of regions and communities along the Great Lakes; and
- . positive responses by individual anglers and boaters seeking launch facilities, safe harbors, and related boating facilities and services.

This study is part of a broader Sea Grant project that investigated the feasibility of establishing a salmonid stamp in New York (Gaffney 1979) and landowner willingness to grant fishing easements to the Great Lakes and their tributaries. Results of these studies will appear in separate reports. These studies should elucidate alternatives that federal and state agencies will consider to accelerate recreational development of New York's Great Lakes coasts. While motivated by shortages of recreation access on the Great Lakes, results of this study are equally applicable to those concerned with boat access and facility development in other areas of New York.

## PROVIDING BOATING FACILITIES IN NEW YORK

### US Heritage Conservation and Recreation Service

While many agencies at all levels of government affect boating facilities, responsibility for overall planning and coordination is vested in the US Heritage Conservation and Recreation Service (HCRS), formerly the Bureau of Outdoor Recreation, at the federal level, and the NYS Office of Parks and Recreation (OPR) at the state level. HCRS administers the federal Land and Water Conservation Fund, which makes matching funds available to state governments having statewide comprehensive recreation plans to acquire and develop recreation sites. Administered by OPR in New York, this fund is used partially for state facilities, and partially as a source of matching funds to local governments to acquire and develop recreation land.

Through this program, New York has provided small-boat access sites along the Barge Canal system and related facilities such as fishing and picnic areas, launching ramps, and pump-out stations. Numerous state launch ramps and parking lots have been built and marinas have been constructed within state parks and harbors of refuge (NYS Office of Parks and Recreation 1978). Through the municipal assistance program, counties and municipalities also have developed a wide range of marine facilities, ranging from small boat launch ramps to marinas of several hundred berths.

OPR's role is to provide those boating needs not adequately provided by commercial enterprise. In addition to state provision of facilities and assistance to local governments, this also includes law enforcement, boating education, public vessel inspection, issuing special event permits, surveying and charting lakes, publication of cruising charts, and placement and retrieval of navigational aids (NYS Office of Parks and Recreation 1978).

### US Army Corps of Engineers

The other federal agency having a notable role in boating is the US Army Corps of Engineers. The Corps plans long-range development of the water resources of entire river basins and other watersheds, especially those providing interstate commerce. The Corps is responsible for construction, maintenance, and operation of federal river and harbor projects developed for navigation assistance and safety, hydroelectric power, water quality control, flood control, fish and wildlife conservation, beach and shore protection, and recreation. All Corps water resource projects must give consideration to boating and other recreation activities, pursuant to the Federal Water Project Recreation Act of 1965. On recreational projects, nonfederal interests are typically required to bear one-half of all costs (US Army Corps of Engineers 1973).

At the state level, several agencies have recreation-related functions. The Division of Motor Vehicles, Department of Transportation (DOT), registers boats. Department of Transportation has primary jurisdiction of boating facilities along the Barge Canal system. The DEC develops boat access facilities within the Adirondack Park Preserve and at other locations where boat access is needed to enhance fisheries programs.

Although the development of adequate boating facilities is a concern in many parts of New York, it has been a particular concern on the Great Lakes. The counties bordering Lakes Erie and Ontario contain over one-third of the upstate population, including Buffalo and Rochester, the largest upstate metropolitan centers. Approximately one-half of the upstate population is within a one-and-one-half hour's drive of the Great Lakes. The expanse of these lakes and their international boundary with Canada offer unparalleled opportunities to upstate boaters.

### Department of Environmental Conservation Salmonid Fisheries Program

The DEC salmonid fisheries program has heightened interest in the Great Lakes. This program suffered a setback in 1976 when a ban was placed on Lake Ontario salmon due to the presence of mirex in these fish.

Subsequently, the ban was removed, but stocking coho and chinook salmon was suspended in Lake Ontario from mid-1976 through 1978. Sport fishing interest in other Great Lakes species remained high, however. In 1973, when the salmonid program was in its infancy, Lake Erie led the state's waterways with 697,000 angler days of freshwater fishing, and Lake Ontario ranked third (after Oneida Lake) with 664,000 angler days (Brown 1976, Angler Study). Both lakes have been among the state's leading waterways in harvests of largemouth and smallmouth bass, yellow perch, and panfish. Lake Erie and Lake Ontario were by far the state's leading bullhead fisheries. Since 1973, due to heavy stocking of salmonids, the Great Lakes and their tributaries have been heavily fished for brown trout, lake trout, and rainbow trout. Coho and chinook salmon are being stocked again in Lake Ontario and interest in these species, which grew rapidly from 1973 to 1975 (Brown 1976, Salmon Runs), is expected to resume the growth shown in previous years. Coho and chinook salmon were stocked continuously in Lake Erie during the Lake Ontario ban and have added to the diversity of that fishery.

#### Providing Safe Harbors in the Great Lakes

Providing adequate boating opportunities on the Great Lakes is complex not only because of the large number of facilities needed for what has previously been an extremely underused resource, but also because the frequency of unpredicted storms and the lack of safe harbors make boating on the Great Lakes hazardous. While wind velocities on both lakes average 10 miles per hour, they have been clocked at 91 miles per hour on Lake Erie and 73 miles per hour on Lake Ontario. On Lake Ontario, small craft warnings average 17 days per month during May through October. As a result, there is renewed interest in the old concept of developing safe harbors every 30 miles. Commercial navigation interests and several organizations and agencies serving the interests of pleasure boating have advocated harbors at 13-mile intervals (NYS Office of Parks and Recreation 1978).

Justification for authorizing and constructing a harbor of refuge depends largely on the needs of commercial navigation. It requires Congressional authorization of a feasibility study, establishment of a favorable benefit to cost ratio, Congressional and Presidential approval, and

appropriation. In addition to favorable public review, recreational projects typically require state and local funds. This process often has taken several decades.

A frequent stumbling block for harbors of refuge that were initially approved by Congress has been the inability to finance the state and local portion of project costs. State law requires that, with the exception of hardship cases, the municipality must reimburse the state 50 percent of non-federal project costs at the time of project completion (McKinneys Statutes of New York, Navigation Law, Article 142). With the exception of the cities of Buffalo and Rochester, the Great Lakes shoreline is sparsely populated, making it virtually impossible for small rural communities to raise sums of half a million dollars. The navigation legislation, with its hardship clause, is flexible as to the amount of the local contribution, but in any case state funds have not been available to provide additional financial assistance. The need for additional sources of revenue for boating facilities provided the motivation for this study.

## ALTERNATIVES FOR FUNDING BOATING AT THE STATE LEVEL

### Revenue Sources and Allocation

Although federal agencies such as HCRS, Coastal Zone Management, the Army Corps of Engineers, and the Coast Guard have roles pertinent to boating, the individual states determine the annual allocation to boating. HCRS provides substantial financing through the Land and Water Conservation Fund, but it does not specify what part should fund boating access and facilities versus other types of recreation facilities. Furthermore, through general state appropriations and bond issues, states have totally separate income sources to fund boating and other recreation facilities.

Those who pursue boating and related activities such as fishing and water skiing pay large amounts in taxes and registration. Fees fall into three general categories:

- . boat registration fees;
- . federal and state taxes in gasoline and diesel boat fuel; and
- . state and local sales taxes on the purchase of boats, boating supplies, and boating services.

At the state level, the primary alternatives for financing boating are:

- . to allocate the above taxes and registration fees to boating;
- . to make an annual appropriation for boating that is independent of boating revenues; or
- . to return a percentage of boating revenues to boating programs.

### Determining Public Policy

Public administration theory and existing state policies contribute little in determining how to allocate taxes and funds collected from a particular user group to serve the needs of that group. Since sales taxes are collected on nearly all retail goods (and many services), and since these funds typically go into a state general purposes fund, there has been little precedent for earmarking these funds for specific purposes.

One exception is Missouri's policy to allocate one-eighth of one percent of state sales tax to conservation programs (Noren 1978).

#### Public Administration

Public administrators generally take a dim view of earmarked funds, which limit the flexibility of elected officials to meet current needs (Sharkansky 1969). Tax specialists frequently have considered whether particular taxes are progressive or regressive with respect to aggregate income levels. They acknowledge that some taxes generally are imposed to benefit recipients on a quid pro quo basis (Phares 1973), but the equity issue of how states should spend these tax funds is not addressed. Since the late 1960s the degree to which states earmarked taxes has varied considerably. Alabama leads the nation with 89 percent so allocated (Sharkansky 1969). Grant and Nixon (1974) note that states earmark taxes for "everything from Confederate pensions (Louisiana and Texas) to sick fishermen (Alaska)," but the bulk of earmarked funds go to education, highways, and welfare.

Revenue-independent funds. New York is among the majority of states that do not base annual state expenditures for boating on tax receipts paid by boaters. Definitely, one can argue that this is a more flexible system. For any year in question, the state can weigh the perceived need for urban cultural parks, campsites, or ski areas against that for boating. The state's boating revenue in a given year might be more or less than its average annual expected allocation for boating, based on current needs. Unfortunately, with no specified expenditure for boating, there is no guarantee that a reasonable allocation will be made over time to support that activity.

A second argument is sometimes made for revenue-independent allocations to boating and other recreation activities: some activities generate greater proportions of development and operational funds than others. Licenses, user fees, and other identifiable user expenditures for hunting, fishing, camping, boating, and skiing generate significant revenues. Hiking, backpacking, swimming, and other activities seldom generate revenues. Thus, it might be argued that revenues from activities such as boating should support not only boating, but also recreation requiring

subsidies. While each state must set its own policy, it should be noted that hunting and fishing license fees traditionally have been set aside for those activities.

The broader policy question remains: should forms of recreation that generate only minimal revenues be subsidized by revenues from other recreation activities, from general appropriations, or from some combination of the two?

#### Interest Groups

The boating industry and groups representing boating interests have asked whether the boater is getting his or her fair share of the boating tax dollar. For example, the Federated Boatmen of New York opposed a 1976 OPR request to extend registration of power vessels to include sailboats 12 feet and longer, and to increase fees for power craft. They asked OPR "to first explain how the millions of dollars boatmen already pay annually in registration fees and nonrefundable fuel taxes are being expended on boating programs and justify why these millions aren't enough" (New York Legislative Bulletin AB-11069 1976).

A case for allocating boat registration fees and fuel tax receipts to boating-related purposes can be made by arguing that fuel taxes are benefit taxes, not sumptuary taxes (Phares 1973). As previously indicated, motor fuel taxes are among the most common earmarked funds. However, motor fuel taxes are less frequently earmarked for boating, perhaps because estimating this amount is difficult without empirical studies.

In the final analysis, of course, the use of boating tax dollars, like the use of all tax dollars, is a political decision. However, it is a decision that merits further information and discussion. Neither boat registration fees nor boat fuel taxes are earmarked in New York at this time. Two primary objectives of this study will aid legislators and others with boating interests to review this tax allocation policy:

- . to determine the fiscal policy of other states regarding the use of boat fuel tax dollars and registration fees; and

. to examine any discrepancy in New York between these fuel tax and registration fees and state expenditures for boating. This information may enlighten decision-making.

### Existing Policy

#### Earmarking Boat Registration Fees

Under the Federal Boat Safety Act of 1971, states may register boats operating within their waters. If states exercise this option, they must register all motor vessels not documented by the US Coast Guard. All but two or three states currently register boats (MAREX Marketing Committee 1975; and subsequent legislative checks by this author).

Thirty-one states earmark boat registration fees. All but three earmark fees for programs that directly improve boating. Typically, these funds are legislated for boating safety programs, law enforcement, and administration, but in Florida they also are legislated for aquatic weed control. Indiana and Nebraska earmark boat registration fees for state departments that administer boating; Colorado earmarks boat registration fees for its Parks and Recreation Cash Fund from which the boating budget is allocated. It is presumed other states that register boats put registration fees into a general fund, but only five states note this explicitly.

#### Earmarking Boat Fuel Taxes

As of December 1978, legislation in 21 states required spending some allotment, representing boat fuel tax expenditures, to benefit boaters. Seventeen states legislated all fuel tax funds into boating programs. Four states allocated a portion of these tax funds to boating programs, and the remainder to general highway construction, and refunds to boaters.

Determining a state's actual annual fuel tax income paid by boaters is a formidable problem. The majority of boats in the US are trailerable, and a substantial amount of fuel, perhaps most fuel, is purchased at inland automobile service stations. For this reason, the only known way to accurately estimate the amount of fuel taxes expended for boating is to survey a state's boaters.

Investigations were not conducted to see how other states estimated the amount of fuel used in boating. However, state legislation to earmark boat fuel taxes typically specifies a percentage of total motor fuel taxes.

COMPARING REVENUE FROM BOATING  
WITH STATE ALLOCATIONS TO BOATING IN NEW YORK

In the 1960s and early 1970s New York had two major bond issues that provided funds for recreational access and development. In 1960 New York passed a \$100-million Park and Recreation Land Acquisition Bond Act. Article 15 of the NYS Parks and Recreation Law included boating among the activities for which property could be acquired; however, boating received no earmarked funds and competed with all other recreation activities for bond funds. In 1966 the \$200-million Outdoor Recreation Development Act was passed. Originally, this earmarked \$60 million for "State marine projects and grants in aid for local marine projects" (New York Conservation Department, undated). Subsequently, earmarking of funds was discontinued (Chapter 437, Laws of 1971, New York State).

To pay interest and other expenses related to the sale of these bonds, the Outdoor Recreation Development Account was created in 1965 (Article 82, New York State Finance Law; 289-d3, NYS Tax Law). Law directed the state comptroller to pay \$375,000 per month into this account from park revenues plus estimated revenues from motorboat fuel tax and registration fees. At one time, funds deposited into the Outdoor Recreation Development Account paid the interest and other expenses on the bonds; however, the remaining funds later were transferred into the General Fund.

The Outdoor Recreation Development Account was abolished in 1977, but even during its life, tax funds were never directly allocated for acquiring or developing boating facilities. Office of Parks and Recreation budget requests are based on guidelines and directives received from the Office of the Governor and the Division of the Budget. These directives and guidelines bear no direct relationship to state receipts from recreation activities.

This study attempted to ascertain the magnitude and direction of the difference between state expenditures for boating-related purposes and

state receipts from boating-related revenues--taxes and registration fees. State expenditures were derived from records of OPR's Division of Fiscal Management and from the Executive Department's Division of the Budget. State receipts from boat registration fees were obtained from OPR records.

State receipts from boat fuel taxes, previously estimated by the state at \$4.5 million annually but never documented, were estimated from two New York Sea Grant-Cornell University studies. Annual fuel consumption was estimated from 1973 and 1974 studies (Noden and Brown 1977; Brown 1976, Commercial Marinas and Boaters), as was the type of fuel for a sample of all boats registered by New York State. These studies excluded over 5,000 yachts documented by the US Coast Guard and not necessarily registered by the state. A questionnaire sent to 500 boaters who documented recreational craft with US Coast Guard provided fuel consumption estimates for that group. The survey, implemented in the spring of 1977, requested the type of fuel and estimated fuel consumption for calendar year 1976. The survey also asked whether these craft were registered with New York State, to avoid double-counting registration. Out of 433 deliverable questionnaires, 317 (73.2%) were returned.

#### New York State Revenue from Boating

Boating income to New York State, from other than state marina receipts (included in net expenditures) is primarily from boat registration fees and fuel taxes. For the 338,464 boats registered from December 1976 through December 1979 (in New York, boats are currently registered for a three-year period), \$1,523,515 in fees was collected. Thus, receipts for the three-year period averaged just over \$500,000 annually.

Table 1 includes two estimates of boat fuel taxes paid to the State of New York based on 1973 and 1974 estimates for state-registered boats, and supplemented by 1976 estimates of Coast Guard-documented vessels. In 1973 fuel was readily available; in 1974 prices were higher and fuel availability was uncertain, similar to the summer of 1979. Gas at marina pumps typically sold for 50 to 55 cents per gallon in 1973-74, which would be about 80 cents per gallon in 1979 dollars.

Table 1 shows that New York boaters pay between \$3.6 million and \$4.6 million in fuel taxes each year. There is ample evidence that these are conservative estimates. For example, the number of unregistered motor boats in New York is unknown, but the boating industry estimates that 458,000 motors were owned by New Yorkers at the end of calendar year 1976 (MAREX-NAEBM 1977). Assuming one motor per boat, there may be 114,000 motors in boats that were not registered. If 100,000 of these used an average of 66 gallons of fuel annually (the 1974 average for vessels less than 16 feet), this would generate an additional \$528,000 in fuel taxes.

The ratio of gasoline-powered vessels to diesel-powered vessels is conservative. Gasoline fuel tax in New York is 8 cents per gallon; diesel fuel tax is 10 cents per gallon. The National Association of Engine and Boat Manufacturers estimates a 65 to 35 gasoline to diesel ratio for boats longer than 25 feet (NAEBM, personal correspondence). Some boats less than 25 feet long, and some boats whose lengths were not coded are also diesel, but these were all assumed to be gasoline for the purpose of a conservative estimate.

Thus by adding the estimated boat fuel taxes--\$3.6 to \$4.6 million--to the registration fees--slightly greater than \$0.5 million, we obtain a total estimate of between \$4.1 and \$5.1 million annual fuel tax and registration fees paid by New York State boaters.

#### New York State Allocation to Boating

Table 2 shows estimates of state capital expenses related to boating. Over the 12 years reported, average annual capital expenditures were about \$142 million. However, expenses varied tremendously, from \$163,000 in fiscal year 1966-67 to \$3,653,000 in fiscal year 1970-71. It is important to note that in recent years, with bond monies exhausted, capital expenditures declined to a low of \$160,000 in fiscal year 1977-78. These figures include expenditures by the Department of Environmental Conservation to acquire and construct fishing access sites with boat launches. While the above figures were carefully prepared, they are not exact, as state law no longer requires that budget records precisely detail expenses. For example, the level of detail only mentions parks and recreation-related expenses, not boating facilities, specifically.

TABLE 1 ESTIMATE OF 1974 AND 1973 FUEL TAX PAID BY NEW YORK BOATERS

Class boat (state registered) <sup>1</sup>	Number registered	Fuel consumed		Percent gasoline/ diesel	Total tax
		Per boat	All boats		
1974					
Under 16'	194,213	66	12,818,000	100/0	\$1,025,000
16' - 25'	122,241	161	19,681,000	100/0	1,574,000
Over 25'	20,743	424	8,795,000	65/35	765,000
Unknown	<u>1,267</u>	122	<u>151,000</u>	100/0	<u>12,000</u>
Subtotal	338,464		41,445,000		\$3,376,000
Documented <sup>2</sup>	<u>5,184</u>	768	<u>3,113,000</u>	54/46	<u>278,000</u>
Total	343,648	130	44,558,000		\$3,654,000
1973					
Under 16'	194,213	88	17,100,000	100/0	\$1,368,000
16' - 25'	122,241	204	24,900,000	100/0	1,992,000
Over 25'	20,743	523	10,800,000	66/35	940,000
Unknown	<u>1,267</u>	<u>150</u>	<u>193,000</u>	100/0	<u>15,000</u>
Subtotal	338,464		52,993,000		\$4,315,000
Documented	<u>5,184</u>	768	<u>3,113,000</u>	54/46	<u>278,000</u>
Total	343,648		56,106,000		\$4,593,000

<sup>1</sup>Based on the 1976-79 3-year registrations.

<sup>2</sup>All data for Coast Guard-documented vessels is for 1976. To eliminate double-counting, the 15% of documented vessels also NYS-registered were not analyzed.

Other New York State expenditures to support boating beyond capital construction expenditures appear to be just over \$1 million annually (\$1,058 million in FY 1974-75). This includes operations, maintenance, and personnel costs, funds for marine law enforcement, and upkeep of boat launch sites. Against these expenses, revenues of \$351,117 were received in fiscal year 1974-75, resulting in net noncapital expenditures of \$706,683, according to the NYS Office of Parks and Recreation, Division of Fiscal Management.

State boating-related net expenditures have averaged about \$2 million annually. However, the availability of bond funds over several of the 12 years analyzed has contributed substantially to this figure. For the last three years analyzed, state boating-related net expenditures have averaged less than \$1.2 million annually.

TABLE 2 ESTIMATES OF NEW YORK STATE CAPITAL CONSTRUCTION  
EXPENDITURES FOR BOATING-RELATED PROJECTS  
(in thousands of dollars)

Fiscal Year	State Projects	Local Projects	Total
1966-67	\$ 163	0	163
1967-68	402	1	403
1968-69	1,909	1	1,910
1969-70	2,305	315	2,620
1970-71	2,901	752	3,653
1971-72	1,474	897	2,371
1972-73	341	1,062	1,403
1973-74	582	591	1,173
1974-75	1,028	937	1,965
1975-76	487	246	733
1976-77	351	87	438
1977-78	<u>160</u>	<u>0</u>	<u>160</u>
Totals	\$12,103	\$4,889	\$16,992

Source: NYS Division of the Budget, NYS Department of Environmental Conservation Records

### Revenue versus Allocation

As previous data have shown, capital construction costs for boating facilities are highly variable. Depending on fuel availability and cost, boater fuel consumption also varies. However, it seems clear that for state fiscal years 1966-67 through 1977-78, only in fiscal year 1970-71 were state boating expenditures within the same order of magnitude as boat fuel tax and registration fees. On average, it appears that state revenue from fuel taxes and registration fees has exceeded state boating-related allocation by about \$3.4 million in recent years (Table 3). In the last three fiscal years for which capital construction data are available, these differences have been even greater. Boaters pay millions of additional dollars of state sales tax on the purchase of boats, motors, and accessories. Sales tax was not included in this analysis because state sales tax traditionally goes into state general funds and is not earmarked for specific uses.

TABLE 3 ESTIMATE OF NEW YORK STATE'S AVERAGE ANNUAL REVENUE  
FROM BOATING VERSUS ALLOCATION TO BOATING, 1972 THROUGH 1977

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<u>Revenue</u>	
Boat fuel taxes	\$4,600,000
Registration fees	<u>500,000</u>
Total	\$5,100,000
 <u>Allocation</u>	
Capital construction	\$1,000,000
Net Maintenance and operations	<u>700,000</u>
Total	\$1,700,000
Income less expenditures	\$3,400,000

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## LEGISLATIVE ALTERNATIVES

If, upon reviewing these data, the boating public, the general public, and state legislators find that state expenditures for boating have been satisfactory, the current system of budget allocations independent of state boating-related receipts can be maintained. This assumes that boating fuel taxes are strictly sumptuary and not benefit taxes, unlike automobile gasoline taxes, a portion of which are earmarked for land acquisition and highway construction. If, on the other hand, one takes the position that boat fuel taxes and registration fees should be treated wholly or partially as benefit taxes for boating, current legislation from other states, cited in the appendix to this report, illustrates how other states have resolved this issue and provides alternatives that New York might consider.

Legislation from New Jersey and Connecticut (Appendix IA) illustrates earmarking boat registration fees to administer its state boating program, with excess funds allocated to dredging and maintaining waters. Connecticut earmarks registration fees for administration, law enforcement, boating safety programs, or the acquisition, construction, maintenance, and operation of facilities. It also reimburses local government for law enforcement expenses, to the degree that funds are available.

Legislation from Pennsylvania, Michigan, Maine, and Arizona (Appendix IB) illustrates how these states have earmarked boat fuel taxes. Pennsylvania earmarks these taxes specifically to waters where motorboating occurs, for a variety of boating-related purposes. Michigan has estimated that 1.25 percent of motor fuels purchased in that state are used in boating, and earmarks taxes of this amount to a state waterways fund for boating improvements. Maine also has determined that 1.25 percent of motor fuels is used for boating, but earmarks these taxes by formula, not exclusively for boating improvements (80 percent, after refunds), but also for fisheries programs (20 percent, after refunds). Acknowledging the difficulty of determining the proportion of motor fuels used for boating, Arizona legislation stipulates that a statistical survey must be conducted every three years to assess this proportion.

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APPENDIX IA

Legislation to Earmark Boater Registration Fees

New Jersey

Deposit of fees; appropriation; use

All fees received pursuant to this act<sup>1</sup> shall be deposited as part of the State's general funds with the State Treasurer, who shall keep a record of the same. The said sums shall be credited to a permanent revolving fund for the then current fiscal year and thereafter, from year to year, as a replacement thereof, and shall not lapse into the unappropriated funds of the State Treasury, for the purposes of meeting necessary expenses to assure a continuous administration of this act, except that at the end of each fiscal year all revenue in excess of a sum calculated to meet the projected annual costs for its administration, shall be used and are hereby appropriated for the purpose of dredging and maintaining lakes, waterways, and streams of this State.<sup>2</sup>

<sup>1</sup>Power Vessels - Regulation

<sup>2</sup>New Jersey Statutes Annotated. Commerce and Navigation, 12:7 - 34.48

Connecticut

Use of Receipts. Reimbursement of towns. Town boating programs.

All revenue received by the state in fees for the numbering of motor-boats shall be maintained in a separate fund and shall be restricted to use in the following manner: (1) All expenses incurred by the commissioner of motor vehicles and the commissioner of environmental protection in the administration and enforcement of this part and the laws and regulations of the state respecting boating safety and water pollution from vessels shall be paid from such fund, except such expenses incurred in the fiscal year ending June 30, 1977, shall be paid from funds appropriated to the commissioner of motor vehicles and the commissioner of environmental protection for this purpose. Such expenses may include, but are not limited to, expenditures for boating safety and enforcement training programs, and for the acquisition, construction, maintenance and improvement of recreational and navigational facilities related to boating. Ten percent of the balance shall remain in said fund in reserve against future such expenses, except no such balance need remain in said fund at the close of the fiscal year ending June 30, 1976. (2) Any town which incurs expenses in the enforcement of the part or any law or regulation of the state respecting boating safety or water pollution from vessels shall be entitled to reimbursement from such moneys in said fund as are not provided for under subdivision (1) hereof. On or before the first day of December each year, each town desiring such reimbursement shall submit its request to the commissioner of environmental protection with a verified statement of expenses so incurred during the preceding year. Said commissioner shall allow such expenses as he finds were reasonable and necessary and shall certify such amounts to the comptroller for payment to the requesting town. If funds are insufficient to reimburse in full each town so applying, reimbursement shall be made on a pro rata basis. The determination of the amounts available for reimbursement under this subsection shall be made from the balance remaining after each state fiscal year, except such reimbursements for the fiscal year ending June 30, 1977, may be paid from funds appropriated for such purpose. (3) The balance of such revenue remaining after payment of the foregoing expenses shall be allocated for use of the several towns for boating safety education and for the construction, maintenance and improvement of boating facilities. Any town desiring to obtain such funds shall apply to the commissioner of environmental protection, giving such information about the proposed use as he may require. Said commissioner may approve payment to any municipality, in amounts not exceeding two thousand dollars per town per year, upon satisfactory evidence that the proposed use has been approved as prescribed by law by the legislative body of the requesting town, that it is needed for the safety or convenience of the boating public, that it is not in conflict with any program planned or undertaken by any agency of the state and that it will not adversely affect any privately-owned and operated boating facility. (4) Any uncommitted balance in the boating fund on June 30, 1976, shall revert to the resources of the general fund.

<sup>1</sup>General Statutes of Connecticut, Navigation and Aeronautics, Chapter 268, Section 15-115.

## APPENDIX IB

### Legislation to Determine and Earmark Boat Fuel Taxes

#### Pennsylvania

##### Refunds

When the tax imposed by this act<sup>1</sup> shall have been paid and the fuel on which such tax has been imposed shall have been consumed in the operation of motorboats or watercraft upon the waters of the Commonwealth, including waterways bordering on the Commonwealth, the full amount of such tax shall be refunded to the Boating Fund of the Fish Commission on petition to the Board of Finance and Revenue in accordance with prescribed procedures.

In accordance with such procedures, the Pennsylvania Fish Commission shall biannually calculate the amount of liquid fuels tax consumed by said motorcraft and furnish such information relating to its calculations and data as may be prescribed or required by the Board of Finance and Revenue. This board shall review the petition and motorboat fuel consumption calculations of the Pennsylvania Fish Commission and then determine the amount of liquid fuels tax paid on liquid fuels consumed in the propulsion of motorboats and other motorcraft on the waters of the Commonwealth, including waterways bordering on the Commonwealth, and shall certify to the State Treasurer to refund annually to the Boating Fund of the Fish Commission the amount so determined. The Department of Highways shall be accorded the right to appear at such proceedings and make its views known.

Said moneys shall be used by the Pennsylvania Fish Commission acting by itself or by agreement with other State and Federal agencies including, but not limited to, the Navigation Commission for the Delaware River, the Department of Forests and Waters, the Department of Health, and Federal Bureau of Outdoor Recreation, only for the improvement of the waters of Pennsylvania on which motorboats are permitted to operate and may be used, including but not limited to the development and construction of motorboat areas; the placement and replacement of navigational aids; the purchase, development and maintenance of public access sites and facilities to and on waters where motorboating is permitted; the patrolling of motorboating waters; the publishing of nautical charts in those areas of Pennsylvania not covered by nautical charts published by the United States Coast and Geodetic Survey or the United States Army Engineers; and the administrative expenses arising out of such activities.

<sup>1</sup> Liquid fuels tax

<sup>2</sup> Purdon's Pennsylvania Statutes Annotated, Taxation, Article 72, Section 2611q

Michigan

Tax on gasoline for vessels; revenues derived from sale of marine gasoline; crediting to state waterways fund; claims for refund, invoices to accompany; false statement, penalty.

The legislature finds that of all the gasoline sold in this state for consumption in internal combustion engines, not less than (1.25%) thereof is used for marine purposes to propel vessels on the inland and surrounding waterways of this state. The legislature (declares) that it is the policy of this state to use the funds derived from the sale of marine gasoline to improve boating facilities throughout this state. Effective (February 1, 1973, 1.25%) of all state-imposed taxes collected on the sale of gasoline fuel, oil, naphthene or any other propellant used in internal combustion engines, except fuel consumed in airplanes or diesel engines, shall be credited to the state waterways fund after deducting collection costs and refunds, to be disbursed by legislative action.

The revenue division, department of treasury shall annually present to the commission an accurate total of all such gasoline taxes collected and determine the revenue derived therefrom. The revenue division, department of treasury shall then determine what portion of these revenues were derived from the sale of marine gasoline by multiplying this total by<sup>1,2</sup> (1.25%) and shall then credit this amount to the state waterways funds.

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<sup>1</sup> Michigan Statutes Annotated, Title 3, Executive Department, Misc. Boards and Commissions, Section 3.534 (9)

<sup>2</sup> Title 3 also created the Michigan State Waterways Commission.

Maine

Finding of fact

The legislature hereby makes a finding of fact that the percentage relationship of "gasoline tax" paid by that segment of the nonhighway gasoline user, the motorboat user, is not less than 1.25% of the total "gasoline tax" revenue, but certainly is more than the 1.25% referred to. Based on this legislative "finding of fact" there is set aside 1.25% of the total excise tax on internal combustion engine fuel sold or used within the State, but not including internal combustion engine fuel sold for use in the propulsion of aircraft. From this 1.25% allocation shall be deducted the refunds paid out under section 2908 to purchasers and users of internal combustion engine fuel for commercial motorboats; 20% of the balance of 1.25% after paying out such refunds shall be paid to the Treasurer of State to be made available to the Commissioner of Sea and Shore Fisheries for the purpose of conducting research, development and propagation activities by the department, and it is the responsibility of the Commissioner of Sea and Shore Fisheries to select activities and projects that will be most beneficial to the commercial fisheries of the State as well as the development of sports fisheries activities in the State; the remaining 80% of the balance of 1.25% after paying out such refunds shall be credited to the Boating Facilities Fund, established under Title 38, section 322, within the Maine State Park and Recreation Commission. The State Tax Assessor shall certify to the State Controller, on or before the 15th day of each month, the amounts to be credited under the previous sentence, as of the close of the State Controller's records for the previous month. When refunds paid to purchasers and users of internal combustion engine fuel for commercial motorboats in a month exceed 1.25% of gasoline tax revenues for that month, such excess shall be carried forward in computing amounts to be credited to the Department of Sea and Shore Fisheries and the Boating Facilities Fund under this section for the succeeding month or months.<sup>1</sup>

<sup>1</sup> Maine Revised Statutes Annotated, Taxation, Article 36, Section 2903-A.

Arizona

Taxes paid on fuel used in watercraft, survey, costs.

A The percentage of the total license taxes paid on motor vehicle fuel that is used in propelling watercraft shall be determined by a statistical survey conducted by a public or private agency selected by the director of the department of transportation and the director of the game and fish department prior to July 1, 1971, and prior to July 1 of every three years thereafter. Each survey shall be completed within three months of the day begun. The director shall use this percentage figure in determining the amount of license taxes collected on the sale of fuel used in watercraft and except as provided in subsection B, of this section, shall transfer this amount on a monthly basis to the state lake improvement fund from which the legislature may appropriate monies to finance projects authorized by 5-382, subsection B.

B Of the percentage of motor vehicle tax paid on fuel used to propel watercraft, one percent shall be retained by the department of transportation to defray administrative expense. In addition, expenses of the survey provided for in subsection A, of this section, shall also be defrayed from the tax prior to transfer to the state lake improvement fund.<sup>1</sup>

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<sup>1</sup> Arizona Revised Statutes Annotated, Transportation. Title 28, Section 1502.01